11th ANNUAL REPORT 1957

Canadian HUSKY Oil Ltd.

Our Cover:

The three core samples shown on our cover were taken from productive zones in three wells in which Canadian Husky has interests.

left: The Rundle limestone of the Savanna Creek gas field in the Rocky Mountains.

centre: The Devonian D-3 reef of the Dick Lake gas field in Central Alberta.

right: Heavily oil saturated Lower Cretaceous sand of the Bellshill Lake oil field in Eastern Alberta.

A COMPARISON 1957 1956

	YEAR ENDED DECEMBER 31	
	1957	*1956*
FINANCIAL		
	$	*$*
Refining and marketing sales	16,578,316	*15,323,328*
Other Operating revenue	2,372,804	*1,563,012*
Cash flow from operations	3,130,250	*2,912,891*
Net working capital	7,501,754	*3,591,088*
Total assets	39,554,265	*27,957,302*
Common shareholders' equity (book value)	23,599,507	*14,333,210*
EXPENDITURES TO ACQUIRE EARNINGS ASSETS		
	$	*$*
Refining and Marketing additions and improvements	1,411,364	*1,746,260*
Exploration	1,422,601	*1,159,998*
Development expense on company owned wells	1,815,249	*1,075,617*
Acquisition of oil and gas properties in exchange for common shares	6,749,474	—
OPERATIONS		
Crude oil produced (barrels)	937,485	*928,421*
Crude oil processed (barrels)	4,060,887	*4,240,948*
Natural gas produced (MCF)	807,066	*929,059*

TO THE SHAREHOLDERS:

For Canadian Husky, 1957 was a year of many accomplishments, particularly in building for future years.

Gross operating revenues reached an all-time high of $18,951,120 in 1957, 12 percent higher than the previous high of 1956. Cash flow from operations was also up by 7 percent to $3,130,250, or $1.20 per share.

Several growth accomplishments provided the most significant highlights of the year. These included purchase of important oil and gas reserves, acquisition of large blocks of exploratory acreage in promising areas, new financing which added $15,000,000 to funds available for continued growth, and successful negotiation of contracts for marketing our large natural gas reserves. Each of these measures is important in assuring our progress in the years to come.

For the Canadian oil industry, 1957 marked the beginning of some serious problems. Difficulties in the Middle East disrupted normal channels of transportation late in 1956, bringing an abnormal increase in the demand for Canadian crude oil. The heavy demand carried through the first part of 1957. By late 1957, it had reversed as the anticipated growth in consumption of refined products failed to materialize and normal distribution was restored. As a result, refiners throughout North America were forced to make substantial adjustments to their inventories, bringing drastic curtailment in field production of Canadian oil.

Restrictions on importing foreign crude oil into our eastern markets would help ease this curtailment. Although such restrictions present both economic and political problems, the oil industry and the economy of the entire country would be materially benefited if Canadian crude oil were permitted to serve all Canadian markets. Our domestic markets should be the primary outlets for Canadian crude oil production.

We expect the problems of the industry with respect to natural gas to move closer to solution in 1958. Western Canada's reserves are more than adequate to serve both domestic and export markets. Authorization of gas export, expected in the not too distant future, will bring a resurgence of vitality to the entire industry. When gas begins to move to major markets, Canadian Husky's gas production will add materially to its earnings.

It is a pleasure to welcome the many who have joined our growing shareholder family in the past year. There are now nearly 9,000 holders of our common and preferred shares.

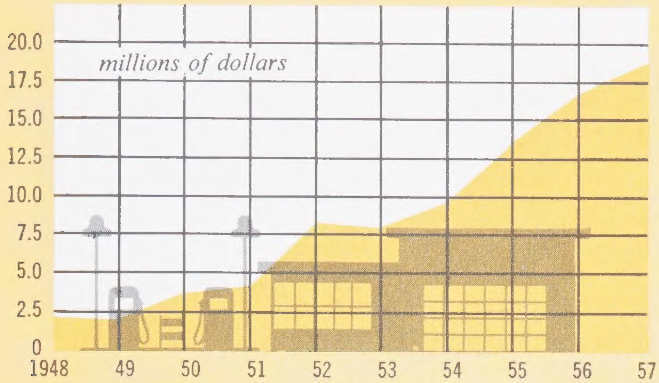
In the ten years of Canadian Husky's existence, the Company has shown remarkable growth. This growth is only partially reflected in the financial statements. Over the years, one of our primary objectives has been to build a strong organization. The young, dynamic organization that we have today is one of our most valued assets. Fully recognizing the problems now confronting the industry, we look forward confidently to continuation of the Company's growth record.

Sincerely,

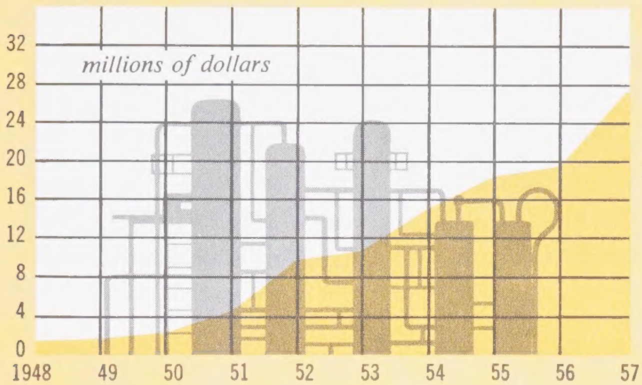
Glenn E. Nielson

March 21, 1958

PRESIDENT

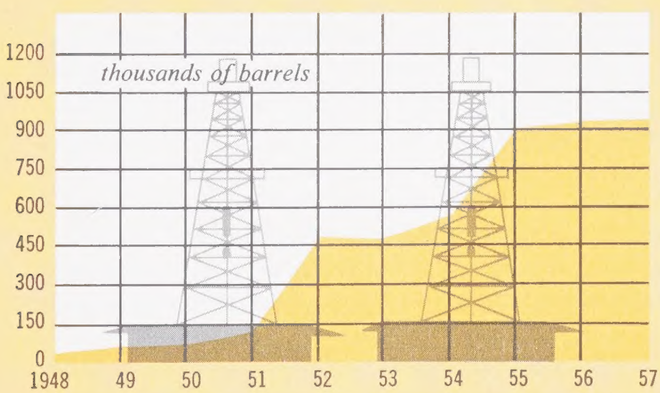


NET SALES AND OPERATING REVENUES

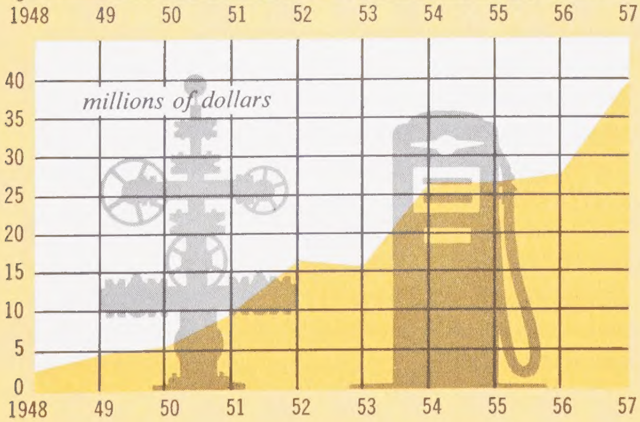


NET PROPERTY, PLANT & EQUIPMENT
net book value

COMPANY TRENDS 1948-1957



NET CRUDE OIL PRODUCTION—BARRELS



TOTAL ASSETS
net book value

left: Husky's geologists carried the search for oil and gas into the Yukon and Northwest Territories in 1957. In some remote areas, helicopters are the only means of transportation.

right: Husky asphalt paves many miles of smooth streets and highways each year.

FINANCIAL REVIEW

Canadian Husky's gross operating income for 1957 was $18,951,120, a 12 percent increase over the $16,886,340 recorded in 1956 and 39 percent over 1955. Proceeds from refining and marketing sales increased by $1,254,988 or 8 percent over 1956 and other operating income was up 52 percent.

Cash flow, or net operating profit, before depreciation and depletion, showed an increase of $217,359 over the $2,912,891 recorded last year. After deducting $2,021,876 from this total for depreciation and depletion, $882,734 in charges directly associated with the search for oil and gas, interest charges of $590,668 and adding non-operating income of $223,852, the Company ended the year with a net loss of $131,176 as compared with a net profit of $19,530 for 1956.

In our accounting procedures, all the costs of leaseholds and reservations surrendered, lease rentals, exploration and geological expense and dry holes drilled are charged off to operations each year. Only productive properties, the equipment thereon and costs of land held for future evaluation are capitalized at cost. Accounting systems used in the oil industry do not properly show the worth of a growth company. Unsuccessful wells and land costs are charged off against earnings but the value of our oil and gas reserves, recorded at cost, does not adequately reflect their true value.

Our policy of reinvesting cash flow in the development of the business each year has been a major reason for Canadian Husky's steady growth. These growth expenditures have greatly increased the shareholders' equity but have not allowed for payments of cash dividends except on preferred stock. Comparative details of our growth expenditures for 1957 and 1956 are as follows:

	1957	*1956*
	$	*$*
Development drilling	1,815,249	*1,075,617*
Exploration	1,422,601	*1,159,998*
Marketing facilities	594,520	*1,094,210*
Refinery improvements	816,844	*652,050*
Cash expenditures	4,649,214	*3,981,875*
Acquisition of oil and gas properties in exchange for common shares	6,749,474	—
Total	11,398,688	*3,981,875*

Our financial position was greatly strengthened during the year through a series of arrangements which made available an additional $15,000,000. Of this total, $6,225,000 is reflected in the 1957 financial statements. The balance is available for future use. As a result, our net working capital position increased from $3,591,088 at the end of 1956 to $7,501,754 at the end of 1957 while cash expenditures for growth increased by $667,339.

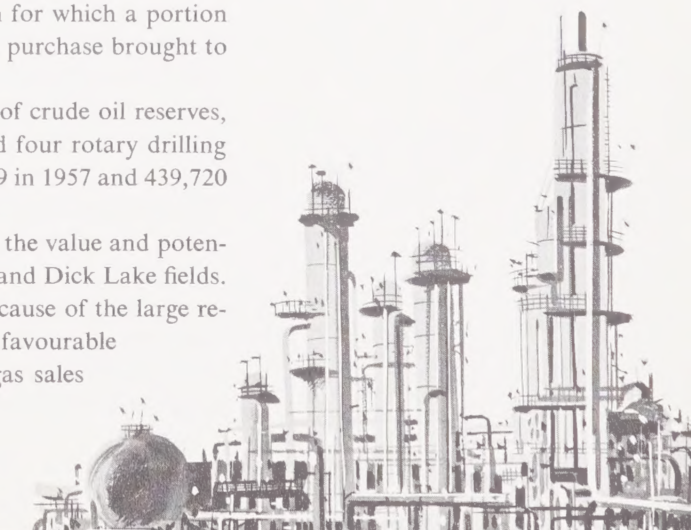
Early in the year, we sold 326,470 common shares to strong institutional and corporate investors at $17 per share. Commitments were obtained for $1,000,000 each year in 1958 and 1959 to be used in developing the Savanna Creek gas field. These loans will be repaid by half the proceeds we receive from the sale of gas from the field. We also secured commitments for a total of $5,000,000 in bank loans on production and $3,000,000 for working capital purposes.

Husky Leasebacks Limited, which owns marketing outlets leased to us, arranged to issue $1,500,000 in sinking fund debentures, half in 1957 and half in 1958. Proceeds from this issue, as with Leasebacks' previous issue, will be used to purchase marketing facilities for leasing to Canadian Husky.

In 1957 and early 1958 we completed two important purchases which added substantial oil and gas reserves and other properties to Canadian Husky's worth. The first was the purchase of an additional one-quarter interest in certain producing and exploratory lands. The Company originally sold this interest in 1949 in return for which a portion of the costs of exploring wildcat acreage was supplied. The second purchase brought to the Company all the assets of Liberal Petroleums Ltd. in 1958.

From these two acquisitions, we added over 16,000,000 barrels of crude oil reserves, 70 billion cubic feet of gas reserves, 340,000 net acres of land and four rotary drilling rigs. In return, we issued a total of 882,689 common shares, 442,969 in 1957 and 439,720 in 1958.

Canadian Husky's financial statements do not adequately reflect the value and potential earning power of its natural gas reserves in the Savanna Creek and Dick Lake fields. Unit costs of developing and producing these fields will be low because of the large reserves per well drilled. The first full year of deliveries under the favourable contracts already signed with major purchasers would result in gas sales by the Company in excess of $2,000,000.



left: Examination of surface rocks often gives clues leading to discovery of oil or gas bearing formations many thousands of feet below the surface.

right: Independent dealers in many Western Canadian communities supply Husky high quality fuel oil to both homes and industries.

REVIEW OF OPERATIONS

LAND

Gross land holdings at the end of 1957 totalled 6,184,874 acres in which our net interest was 3,963,235 acres. This is an increase of 4,174,615 gross acres and 3,213,404 net acres over 1956.

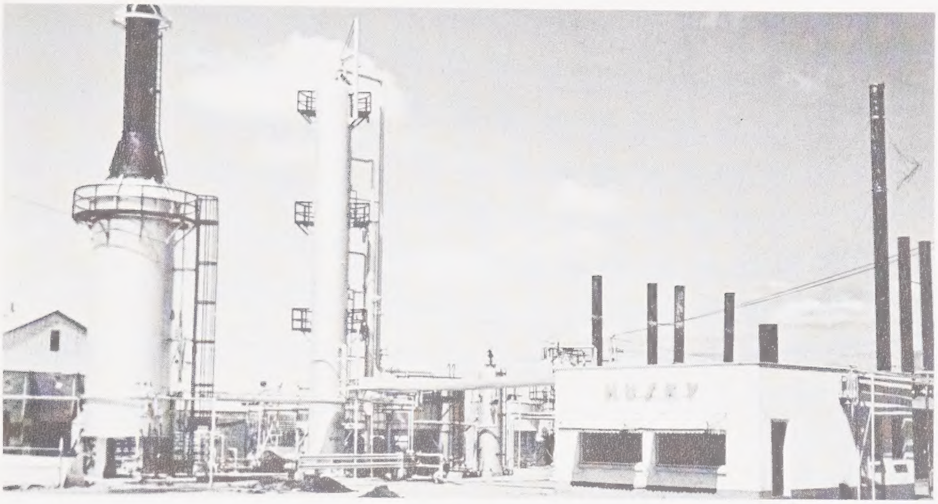
Canadian Husky was an early participant in an extensive leasing play in the Yukon and Northwest Territories, acquiring an interest in 4,760,901 gross acres equivalent to 3,337,268 net acres. Using helicopters and canoes, geological crews mapped the surface of much of the land during the summer months. Photogeologic studies are also in progress. Since our entry in this territory, Canada's North Country has become the scene of a great deal of interest and activity by many companies in both the oil and mining business.

EXPLORATION AND DEVELOPMENT

In the constant search for oil and gas, Canadian Husky carries on exploration and development operations in a number of areas each year. Our activities for 1957 in the more important of these areas are discussed in the following paragraphs.

SAVANNA CREEK—Development of the Savanna Creek gas field in the mountains of Southwestern Alberta was stepped up with the addition of a third drilling rig to the area. With completion of the third well, the field now has a total developed production potential of 141 million cubic feet per day.

The fifth well, on the west flank of the structure, and the sixth, one mile south of the discovery well, were begun during 1957 and were still drilling at the end of the year. Another was begun early in 1958. One three-mile step out has been suspended pending future development. We have a 32.5 percent interest in the 78,080 acre block of Crown lands on which the Savanna Creek structure is located.



Husky's Lloydminster refinery like the other Husky plants, turns out a full range of petroleum products from asphalt to gasoline.

DICK LAKE—We also have important reserves in the Dick Lake unit in Central Alberta. Although its limits have not yet been fully defined, the Dick Lake field is ranked as one of Canada's more important gas fields. Three wells have been completed to date. The Devonian reef section from which these wells produce ranges in thickness from 440 to 550 feet and has excellent porosity and permeability. The reservoir contains large quantities of natural gas liquids which will be produced with the gas. Further development of the unit is being delayed pending the authorization of gas export and more immediate market prospects.

Our interest in the 6,240 acre Dick Lake unit is now 13.5 percent. We also have a 50 percent interest in possibly productive lands adjacent to the unit.

BELLSHILL LAKE—Eight producers were completed on our jointly-owned land in the Bellshill Lake oil field in Eastern Alberta. At the end of the year, 19 oil wells had been completed on acreage in which our interest is 12.5 percent.

We also participated in drilling 10 exploratory wells in the general Bellshill Lake area, four of which were successful. Two were oil discoveries, one extended the Bellshill Lake field and the other was a gas discovery. There was also one wildcat and one development well drilling at the end of the year. Both exploration and development are continuing in 1958.

LLOYDMINSTER—We drilled six wildcats and carried out a structure test program in the Lloydminster area during the year, resulting in two oil discoveries. Six development wells were also drilled, three of which were successful. The program of exploration and development is being carried into 1958.

We have also been testing for a practical secondary recovery method for the Lloydminster area. A pilot waterflood was operated in the Lone Rock field throughout 1957. The experiment has been markedly successful in increasing the recovery of oil from this depleted reservoir. Further experience will be necessary before we can judge the full implications of the project on production in the Lloydminster area.

left: A Husky drilling rig probes for the productive formation in the Savanna Creek gas field in Alberta's Rocky Mountains.

right: The "Husky 120" bunkering ship is a great time saver for Great Lakes shippers calling at Fort William and Port Arthur. Empty fuel tanks can be filled while carriers take on their cargo.

GAS SALES CONTRACTS

Contracts for the sale of gas from the Savanna Creek and Dick Lake fields have been signed with two separate transmission companies, both of which are seeking export permits. Both contracts are among the most favourable yet written for Western Canadian gas. They contain clauses providing for price increases under certain stated conditions and assuring us that prices we receive for gas from these two fields will be comparable to any higher prices paid by the purchasers in western Canada.

The Company is very fortunate that its gas reserves are located in areas where they are readily available to markets. Regardless of how the export permit problems are resolved, we do not foresee difficulty in obtaining advantageous prices for the sale of our gas production.

DRILLING

During 1957 we participated in the drilling of 77 wells on our acreage, including 36 wildcats, 40 development wells and one salt water disposal well. The program resulted in five oil discoveries, five gas discoveries and 31 successful development wells. Not included in these totals are three development wells and two wildcats still drilling at the end of the year. Nine additional wells were drilled by other operators on our acreage under farmout agreements. One of these was successful. We also made agreements for dry-hole contributions to other operators covering 12 wildcat wells offsetting our acreage. Two were completed as gas wells.

The six drilling rigs owned and operated by Canadian Husky drilled 64 wells in 1957 for a total of 215,679 feet or 40.8 miles of hole. The Company had an interest in 56 of these wells.

PRODUCTION

Despite the drastic curtailment in market demand for crude oil in the last half of the year, our crude oil production, after deducting royalties and partners' interests was

937,485 barrels. This is an increase of 9,064 barrels over 1956. Net production of natural gas was 807 million cubic feet for the year, compared to 929 for 1956.

As of December 31, 1957 the Company estimated its crude oil reserves at approximately 35,500,000 barrels and its natural gas reserves at approximately 525 billion cubic feet. These include the reserves acquired in the two purchases mentioned previously.

Based on the prices contained in signed gas sales contracts, the value of 20 MCF of gas is approximately the same as the value of one barrel of crude oil. Using this conversion, our total net reserves of both oil and gas are equivalent to approximately 62,000,000 barrels of oil.

In 1957, Canadian Husky's sales again topped all previous years. Net refining and marketing sales revenues were $16,578,316, an increase of 8 percent over the $15,323,328 for 1956. In the same period refinery throughput declined by 4 percent from 4,240,948 barrels to 4,060,887 barrels while refinery sales of barrels of products declined by 8 percent.

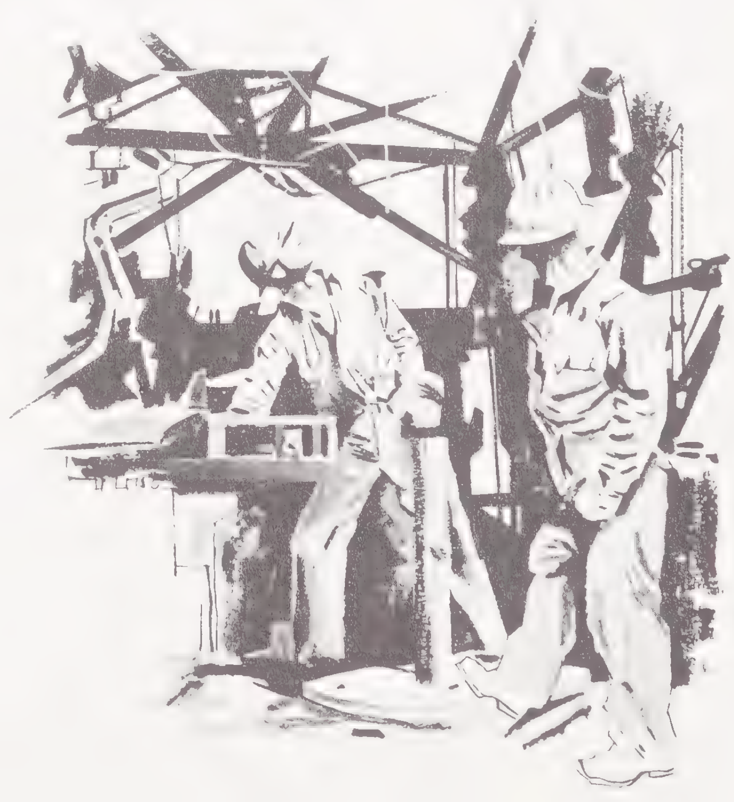
This situation, increasing sales revenues and decreasing sales volume, has been caused by the expected sharp curtailment in the sale of bunker fuel. We expect this trend to continue as the railroads, the major purchasers of this product, complete their conversion to diesel locomotives.

Development of our refining and marketing operations has been in anticipation of the decline in bunker fuel sales. Large volume sales of bunker fuel during the Company's early years made it possible for us to build an effective refining and marketing program based on other products more valuable because of their better profit margin and greater growth potential.

Many refinery improvements have been made to permit the manufacture of a wider variety of high quality products. Installation of a diesulformer and asphalt blowing equipment at Fort William was completed early in 1958. The diesulformer, installed under license from Husky Oil Company, reduces the sulphur content of feed stocks, permitting refining of increased volumes of improved diesel fuels. The new asphalt equipment makes possible manufacture of a wide variety of industrial asphalt products. Each of our three plants is equipped to refine a full line of products from high octane gasoline to asphalts.

We have developed a chain of retail outlets for marketing our refined products. Sales of gasolines, diesel fuels and domestic heating fuels through Company owned or controlled outlets increased by 40 percent in 1957. Seventeen new outlets were added in 1957, bringing the total number of outlets selling "Husky" brand products to 128. Six others were in various stages of construction at year end.

The importance of our Husky Travelcentres



becomes more evident each year. Travelcentres, which Canadian Husky introduced in Western Canada, are complete one-stop service facilities situated strategically at intervals on the Trans-Canada Highway and its alternates. Each contains a Husky House restaurant, sleeping and lounge accommodations for truckers and service equipment for the largest trucks or the smallest automobiles. The success of this approach to marketing has led us to plan the construction of more Travelcentres.

The vast area of Canada with its varied climate is rapidly being united by a network of super highways. The outstanding achievements by Canadian highway departments in developing these essential arteries of commerce would not have been possible except for the versatility and economy of asphalt as a road construction material.

Development of highways in western Canada was greatly accelerated in 1957, encouraging wider use by truckers and motorists alike. Canadian Husky has a twofold interest in highway development because of its Travelcentre program and its position as a major supplier of asphalt paving materials.

Asphalt sales continue to play an important part in our marketing operations. An active sales program, supplemented by technical and engineering assistance to customers produced good results in 1957. Our product development laboratory at Lloydminster works closely with other industries to establish and maintain specifications for the wide variety of Husky asphalts. A competent staff of chemists and engineers is serving this expanding market.

In the ten years since it was established, the Company has developed a sound basis for continued growth of refining and marketing operations. In the current period of changing market patterns, our policy of high quality petroleum products and efficient service to customers assures Canadian Husky of the favourable competitive position necessary for continued success.


Canadian HUSKY Oil Ltd.
LEGEND
Executive Office
Sales Offices
Areas of Husky oil and gas production
Location of Husky Refineries
Location of acreage in which Husky has varying interests
Crude Oil Pipelines
Natural Gas Pipelines
Natural Gas Pipelines—under construction or proposed
Map is schematic—no scale
Edmonton
Lloydminster
Prince Albert
CALGARY
Saskatoon
Medicine Hat
Regina
Moose Jaw
Winnipeg
Port Arthur
Fort William

Canadian HUSKY Oil Ltd. and Subsidiaries / CON

ASSETS

	1957	1956
CURRENT ASSETS:		
Cash	$ 3,612,630	406,431
Government of Canada Bonds—at cost including accrued interest (market value 1957, $15,506)	16,221	13,921
Notes and accounts receivable, less allowance for doubtful accounts 1957, $226,411; 1956, $120,859	3,447,095	3,550,952
Inventories at lower of cost or replacement market	3,885,850	3,097,120
Prepaid expenses	261,650	265,396
Total current assets	11,223,446	7,333,820
OTHER ASSETS: (Operating deposits, sales contracts receivable, sundry investments and rental properties—net)	427,011	439,521
PETROLEUM AND NATURAL GAS PROPERTIES:		
Oil and gas wells, including shut-in gas wells—at cost, less accumulated depreciation and depletion 1957, $4,358,980; 1956, $3,537,505	15,441,121	8,875,697
Wells in progress—at cost	951,000	433,120
Undeveloped reservations and leases—at cost.	2,593,251	1,846,431
	18,985,372	11,155,248
PROPERTY, PLANT AND EQUIPMENT (note 1):		
Land—at cost	376,491	401,668
Buildings, plant, machinery and equipment—at cost, less accumulated depreciation 1957, $3,531,410; 1956, $2,710,079	7,098,737	7,597,705
Construction in progress—at cost	891,565	464,048
	8,366,793	[illegible]
Excess of investment carrying value over equity in subsidiary company, consolidated at date of acquisition less amount amortized	77,194	91,020
	8,443,987	8,554,441
INTANGIBLES—organization expenses and trademarks, less amounts written off	3,689	3,512
GOODWILL	470,760	470,760
	$39,554,265	$27,957,302

The accompanying notes 1 to 4 are an integral part of the consolidated financial statements.

SOLIDATED BALANCE SHEET December 31, 1957

(with comparative figures at December 31, 1956)

	1957
CURRENT LIABILITIES:	
Due to bank—secured	$ —
Accounts payable and accrued expenses (including taxes other than income 1957, $137,028)	2,406,272
Dividend payable	—
Current portion of long-term debt	1,315,420
Total current liabilities	3,721,692
LONG TERM DEBT (note 1):	
Due to bank—production loan, less amount due within one year included in current liabilities, $500,000	1,416,668
Due to bank—April 1, 1958, secured	—
Notes and contracts payable, less amounts due within one year, included in current liabilities 1957, $45,420; 1956, $45,614	126,398
3¾% First Mortgage Serial bonds Series A maturing in the amount of $650,000 on December 15, 1958 to 1960 inclusive and in the amount of $750,000 on December 15, 1961, less $650,000 maturing within one year, included in current liabilities	2,050,000
5% Sinking Fund Debentures Series A maturing December 15, 1969, less sinking fund payment of $120,000 due within one year, included in current liabilities	5,640,000
	9,233,066
NOTE PAYABLE (note 2)	3,000,000
STOCKHOLDERS' EQUITY (notes 2 and 3):	
Six per cent (6%) cumulative redeemable preferred shares, par value $50 each; authorized 80,000 shares; issued and outstanding 71,363 shares	3,568,150
Common stock par value $1 per share; authorized 4,000,000 shares; issued and outstanding 1957, 2,614,390 shares; 1956, 1,971,342 shares	2,614,390
Other paid in capital	14,387,738
Reinvested earnings	3,029,229
	23,599,507
COMMITMENTS AND CONTINGENCIES (notes 2 and 4)	
	$39,554,265

Approved on behalf of the Board:
GLENN E. NIELSON, *Director*
LAWRENCE W. LEE, *Director*

CONSOLIDATED STATEMENT OF EARNINGS

YEAR ENDED DECEMBER 31, 1957

(with comparative figures for 1956)

	1957	*1956*
INCOME:	$	*$*
Net refinery and marketing sales	16,578,316	*15,323,328*
Other operating revenue	2,372,804	*1,563,012*
	18,951,120	*16,886,340*
Cost of sales and operating expenses, exclusive of expenses specifically set forth below	14,086,466	*12,485,926*
Selling, general and administrative expenses (including for 1957, officers' salaries, $176,817, directors' fees, $7,000 and legal fees, $53,364)	1,734,404	*1,487,523*
	15,820,870	*13,973,449*
Net operating profit exclusive of depreciation and depletion	3,130,250	*2,912,891*
Non-operating income	233,852	*98,913*
	3,364,102	*3,011,804*
OTHER CHARGES:		
Lease abandonments, non-productive drilling and undeveloped lease expense	700,546	*518,219*
Land, exploration and geological department expense	182,188	*157,479*
Interest charges	590,668	*478,463*
	1,473,402	*1,154,161*
Profit before depreciation and depletion	1,890,700	*1,857,643*
Depreciation	1,267,339	*1,120,854*
Depletion	754,537	*717,259*
	2,021,876	*1,838,113*
Net earnings (loss)	$ (131,176)	*19,530*

CONSOLIDATED STATEMENT OF SURPLUS

YEAR ENDED DECEMBER 31, 1957

	Other Paid In Capital	*Reinvested Earnings*	*Total*
	$	$	$
BALANCE AT BEGINNING OF YEAR	5,633,313	3,160,405	8,793,718
Add:			
Excess of consideration received over par value of 643,048 common shares issued (Note 2)	9,048,657		9,048,657
	14,681,970	3,160,405	17,842,375
Deduct:			
Net loss for the year	—	131,176	131,176
Expenses incurred on issue of common shares including a commission of 50 cents per share paid on the issue of 150,000 shares	80,143	—	80,143
Dividends paid on 6% cumulative redeemable preferred shares	214,089	—	214,089
	294,232	131,176	425,408
BALANCE AT END OF YEAR	$14,387,738	3,029,229	17,416,967

The accompanying notes 1 to 4 are an integral part of the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1957

1. 5% SINKING FUND DEBENTURES SERIES A AND 3¾% FIRST MORTGAGE SERIAL BONDS SERIES A:

Property specifically mortgaged as security for the 5% Sinking Fund Debentures Series A and the 3¾% First Mortgage Serial Bonds Series A of Husky Oil & Refining Ltd. includes real and immovable property presently owned by that company (excluding petroleum properties and residential properties) and shares in the capital stock of one of its subsidiary companies having a book value of $6,230,254 on December 31, 1957.

2. CAPITAL:

The company has entered into agreements with certain officers and employees whereby they have the opportunity to purchase common shares of the company at fixed prices ranging from $6.50 to $19 per share, the price per share being the quoted price of the shares at the date of the agreement or, in certain instances, of a predecessor agreement. The company has reserved 137,941 common shares for sale to employees. The shares may be purchased only at specific times. At December 31, 1957 there were 97,834 shares under option. These options become exercisable during the years 1958 to 1966.

At December 31, 1957 there were stock purchase warrants outstanding giving to the holders thereof the right to purchase 200,500 shares of common stock of the company. These warrants are exercisable at $11 per share up to and including December 14, 1960 and thereafter at $14 per share up to and including December 14, 1964.

During the year the company entered into an agreement with Husky Leasebacks Limited (not a subsidiary company) whereby share purchase warrants were attached to debentures of Husky Leasebacks Limited giving to the holders thereof the right to purchase 37,500 common shares of Canadian Husky Oil Ltd. at a price of $24 per share at any time within 10 years. No shares have been issued under these warrants.

The following common shares were issued during the year ended December 31, 1957:

		Credited to	
Number of Shares	*Consideration*	*Common Shares*	*Other Paid In Capital*
		$	$
442,969	An interest in certain oil and gas properties in which Husky Oil & Refining Ltd. has an interest (shares were valued at $15.25 per share)	442,969	6,312,308
150,000	Cash, $17 per share	150,000	2,400,000
12,059	Cash (issued to employees under incentive share purchase plan)	12,059	70,014
38,020	Cash (issued through the exercise of warrants)	38,020	266,335
643,048		643,048	9,048,657

The company received an advance of $3,000,000 under the terms of an agreement with a corporation. The agreement provides that the money advanced shall be payable on demand, without interest except that it may be repaid in common shares of Canadian Husky Oil Ltd. on the basis of $17 per share at the election of either party. It would require 176,470 of the unissued shares of the company to repay the advance and such shares have been reserved for this purpose.

Subsequent to December 31, 1957 the company acquired all of the assets and undertakings of Liberal Petroleums Ltd. for a consideration of 439,720 common shares. No liability is included in the accompanying consolidated balance sheet in respect of this transaction.

3. REINVESTED EARNINGS AND OTHER PAID-IN CAPITAL:

The conditions attached to the preferred shares of Canadian Husky Oil Ltd. provide for certain restrictions on the payment of dividends on its common shares. Under these restrictions none of the reinvested earnings and other paid in capital is available for dividends on the common shares as of December 31, 1957.

4. COMMITMENTS AND CONTINGENCIES:

Husky Oil & Refining Ltd. has outstanding certain long-term lease agreements, in respect to certain marketing assets, with Husky Leasebacks Limited. The annual rental commitment under these lease agreements is approximately $151,250 per annum. The leases may be terminated under certain conditions. Husky Oil & Refining Ltd. has an option to purchase all of the outstanding shares of Husky Leasebacks Limited at any time during the terms of the leases for a consideration of $2,000.

Husky Oil & Refining Ltd. leased certain office premises on October 1, 1954 for a period of 10 years at an annual rental of $93,850.

Certain commitments or contingencies exist which may involve costs or losses arising in the ordinary course of business, the amounts of which, however, are not considered to be significant.

AUDITORS' REPORT TO THE SHAREHOLDERS

WE HAVE EXAMINED the consolidated balance sheet of Canadian Husky Oil Ltd. and subsidiary companies as of December 31, 1957 and the consolidated statements of earnings and surplus for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying consolidated balance sheet and consolidated statements of earnings and surplus are properly drawn up so as to exhibit a true and correct view of the state of the affairs of Canadian Husky Oil Ltd. and subsidiary companies at December 31, 1957, presented on a consolidated basis and the results of their operations for the year ended on that date, according to the best of our information and the explanations given to us and as shown by the books of the companies.

Calgary, Alberta
March 4, 1958

PEAT, MARWICK, MITCHELL & CO.
CHARTERED ACCOUNTANTS

BOARD OF DIRECTORS

Geo. S. Buchanan	Cody, Wyoming
Lawrence W. Lee	Calgary, Alberta
J. K. McCausland	Toronto, Ontario
M. A. MacPherson, Sr., Q.C.	Regina, Saskatchewan
Glenn E. Nielson	Cody, Wyoming
P. R. Payn	Como, Quebec
Lloyd Taggart	Cody, Wyoming

OFFICERS

Glenn E. Nielson	*President*
Lawrence W. Lee	*Executive Vice-President and General Manager*
A. C. Knight	*Vice-President, Marketing*
Arnold Larsen	*Vice-President, Finance; Treasurer and Secretary*
W. E. Powell	*Vice-President, Exploration and Production*
W. F. McWhinney	*Comptroller*
D. Cowper-Smith	*Assistant Secretary*
R. G. P. Maclellan	*Assistant Secretary*
Maurice E. Smith	*Assistant Secretary*

TRANSFER AGENTS AND REGISTRARS

COMMON SHARES

Listed on the Toronto and Montreal Stock Exchanges

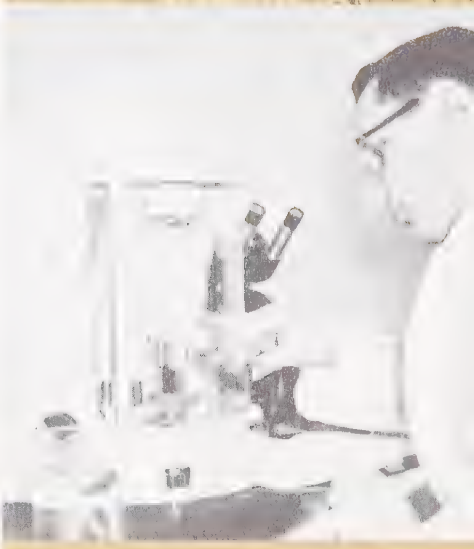
MONTREAL TRUST COMPANY
Calgary, Halifax, Montreal, Regina, Toronto, Vancouver and Winnipeg

THE MARITIME TRUST COMPANY
Saint John, N.B.

THE CHASE MANHATTAN BANK
New York, New York

PREFERRED SHARES

MONTREAL TRUST COMPANY
Calgary, Alberta



Canadian **HUSKY** Oil Ltd.

COMBINED SUMMARY O

	1957	1956
	$	$
NET SALES AND OPERATING REVENUES	18,951,120	16,886,34
Cost of sales and operating expenses	17,842,746	15,811,56
	1,108,374	1,074,77
Other charges, less miscellaneous income	1,239,550	1,055,24
NET INCOME (LOSS)	(131,176)	19,53
Dividends paid on preferred shares	214,089	214,08
Net income (loss) after dividends on preferred shares	(345,265)	(194,55
EARNINGS (LOSS) PER COMMON SHARE AFTER DIVIDENDS	(.132)	(.09
	$	$
Current assets	11,223,446	7,333,82
Current liabilities	3,721,692	3,742,73
NET CURRENT ASSETS (working capital)	7,501,754	3,591,08
Other assets	427,011	439,52
Property, plant and equipment (net)	27,429,359	19,709,68
Deferred charges and goodwill	474,449	474,27
	35,832,573	24,214,57
Long-term debt	9,233,066	9,881,36
Other liabilities and deferred income	—	
Note payable in common shares	3,000,000	—
SHAREHOLDERS' EQUITY	23,599,507	14,333,21
Preferred shares—$50.00 par value per share ($100.00 par value per share in 1953)	3,568,150	3,568,15
Common shares—$1.00 par value per share	2,614,390	1,971,34
Additional paid in capital	14,387,738	5,633,31
Earnings retained for use in the business	3,029,229	3,160,40

EARNINGS AND BALANCE SHEET ITEMS

1955	1954	1953	1952	1951	1950	1949	1948
$	$	$	$	$	$	$	$
3,668,452	9,725,017	8,007,351	8,463,941	4,213,479	3,527,978	2,379,094	2,493,937
2,813,961	8,425,972	6,863,215	6,706,109	3,836,044	3,009,497	2,461,994	2,210,367
854,491	1,299,045	1,144,136	1,757,832	377,435	518,481	(82,900)	283,570
846,292	812,408	637,196	342,963	126,217	176,290	(539,815)	74,703
8,199	486,637	506,940	1,414,869	251,218	342,191	456,915	208,867
212,426	111,275	2,518	—	—	—	—	—
(204,227)	375,362	504,422	1,414,869	251,218	342,191	456,915	208,867
(.104)	.192	.258	.723	.172	.314	.419	.256
$	$	$	$	$	$	$	$
7,060,709	10,220,620	4,340,406	6,379,373	4,339,829	1,998,928	2,203,416	1,101,477
,888,351	1,954,554	951,034	1,648,895	1,055,232	818,967	621,664	1,116,607
,172,358	8,266,066	3,389,372	4,730,478	3,284,597	1,179,961	1,581,752	(15,130)
552,630	564,713	470,423	346,061	762,512	949,379	1,031,994	204,891
,673,637	15,355,727	10,880,258	9,885,613	4,596,816	2,140,299	1,539,989	1,379,290
474,272	474,272	3,545	43,513	51,638	58,725	62,276	21,965
,872,897	24,660,778	14,743,598	15,005,665	8,695,563	4,328,364	4,216,011	1,591,016
,443,351	10,075,105	2,854,224	3,091,586	2,035,234	2,138,978	2,264,734	560,956
—	—	388,115	1,079,419	1,174,288	83,163	187,245	—
—	—	—	—	—	—	—	—
,429,546	14,585,673	11,501,259	10,834,660	5,486,041	2,106,223	1,764,032	1,030,060
,568,150	3,503,950	165,800	—	—	—	—	—
,959,017	1,958,357	1,957,857	1,957,857	1,461,175	1,090,846	1,090,846	815,846
547,415	5,564,175	6,193,773	6,197,396	2,760,328	2,057	2,057	—
,354,964	3,559,191	3,183,829	2,679,407	1,264,538	1,013,320	671,129	214,214

SUBSIDIARY COMPANIES	Husky Oil & Refining Ltd. Canada Western Distributors Limited Bristol Bay Oil Company Husky Lloyd Limited
GENERAL OFFICE	815 Sixth Street West, Calgary, Alberta
REFINERIES	Lloydminster, Alberta Moose Jaw, Saskatchewan Fort William, Ontario
REGIONAL SALES OFFICES	Calgary, Alberta; Fort William, Ontario
DIVISION SALES OFFICES	Edmonton, Alberta; Regina, Saskatchewan

Canadian HUSKY Oil Ltd.

INCORPORATED IN 1947 IN SASKATCHEWAN

Printed in Canada